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MEMORANDUM

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FROM: Ernest Johnson *EJ*  
Director, Utilities Division

THRU: Elijah Abinah  
Assistant Director, Utilities Division

THRU: Matthew Rowell *MR*  
Chief Economist, Utilities Division

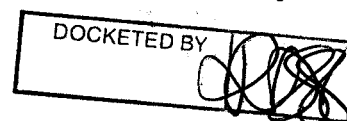
THRU: Barbara Keene *MR for BK*  
Public Utilities Analyst Manager

DATE: October 30, 2006

RE: UNS Electric, Inc.  
Docket No. E-04204A-06-0555  
Request for Waiver of "CARES" Reporting Requirement

Arizona Corporation Commission  
DOCKETED

OCT 30 2006



**Introduction**

UNS Electric, Inc. ("UNSE" or "the Company"), a subsidiary of UniSource Energy Corporation, on September 1, 2006, requested an order from the Commission waiving a reporting requirement contained in a prior Commission Order. Citizens Utilities Company ("Citizens") was required by Decision No. 57346, May 1, 1991, to file quarterly reports concerning Citizens' electric low-income assistance tariff and associated accounting procedures known as the Citizens Assistance Residential Energy Support ("CARES") program.

Citizens' gas and electric utility assets were subsequently acquired by UniSource Energy Corporation ("UniSource") pursuant to Decision No. 66028, July 3, 2003, which also authorized UniSource to set up gas and electric subsidiaries to own and operate the gas and electric assets acquired from Citizens. UNS Gas, Inc. ("UNSG") and UNSE were formed for these purposes.

UNSG was ordered by the Commission in Decision No. 66861, March 23, 2004, to file semi-annual reports with the Commission documenting its CARES program performance and financial details. Certain elements of the UNSG CARES reporting requirements were then continued by Decision No. 67434, December 3, 2004, and similar reporting requirements were established for UNSE to report electric CARES program information.

The basis for UNSE's request for a waiver of Citizens' CARES reporting requirement, required by Decision No. 57346, is that the Company believes the newer reporting requirements arising from Decision No. 67434 satisfy the previous Citizens' reporting obligation.

### **Reporting Requirements**

Decision No. 57346 approved the CARES tariff, established a deferral account to be used for Citizens to recover CARES program costs in its next rate case, and specified the details of Citizens' CARES reporting obligation. The Decision ordered Citizens to file quarterly reports to include all entries made to the deferral account and supporting program information such as start-up costs, lost revenues, application of a return component to the lost revenue and expenses, participation levels, and participants' electric usage.

The more recent Decision No. 67434 orders UNSE to file semi-annual CARES reports on January 30 and July 30 of each year. Each report is to list, by month, the number of participants, the total amount of discounts, the average amount of the customer discount, and the amount of administrative expense for the six-month period. These reports are being docketed with the Commission and are current. The information included on the reports is deemed to be sufficient by the Utilities Division which reviews them, and semi-annual reporting is considered adequate to monitor the program.

### **Issues**

The 1991 Citizens Decision No. 57346 addresses the deferral account and reporting of deferral account information where the more recent 2004 Decision does not mention a deferral account or impose any deferral account reporting. The 1991 Decision which established the deferral account also provided for its termination on April 1, 1993, unless Citizens filed a rate case prior to April 1, 1993, or Citizens applied to continue the deferral account no later than January 31, 1993. Indeed, Citizens did file an electric general rate case on March 12, 1992 in Docket No. E-1032-92-073. Decision No. 58360, resulting from this rate case, allowed an expense adjustment in the amount of \$222,013 to amortize over a period of three years the costs of developing, advertising, and implementing the CARES program authorized by the Commission in Decision No. 57346. The Decision did not contain any provision to re-establish or to continue the electric CARES deferral account. Therefore, the deferral account ceased to exist as a result of Decision No. 58360, July 23, 1993. Staff discussions with the Company indicate that it is in agreement with Staff's conclusion that the deferral account expired as a result of Decision No. 58360.

Because of Staff's finding that the electric CARES deferral account no longer exists, it relieves Staff's concern about the omission of certain deferral account information required in the earlier Citizens reporting requirement but not reported in the current electric CARES semi-annual reports.

**Recommendation**

Staff recommends that UNSE be granted a waiver of its electric CARES reporting obligations under Decision No. 57346 that ordered Citizens to file quarterly reports as indicated in Finding of Fact No. 14.

**Questions**

If there are questions, please call Jerry D. Anderson of the Utilities Division at 602-542-1290.

Copies:      Brian Bozzo, Compliance Section  
                 Barbara Keene, Utilities Division  
                 Jerry D. Anderson, Utilities Division

EGJ/jda